

Board	Mtg Date	Item #
GIB	4/08/2003	3

2003-2005 BIENNIAL BUDGET SUMMARY

Department of Employee Trust Funds

Governor's Recommendations

I. Direct Service Staffing

Critical Customer Service Improvements – Continue to meet the service needs of a growing population of active, inactive and retired participants. By 2004, when the “baby boomer” generation hits the Wisconsin Retirement System (WRS) in full force, the number of active WRS participants eligible to retire is estimated to be 94,362, an 86% increase over the 50,850 active WRS members that were eligible to retire during 1996. Additionally, Act 11 added significant complexity to the WRS benefit programs. By adding positions, the Department would be able to provide more timely and accurate information to all WRS participants about employee benefit programs, as well as process applications and pay benefits more expeditiously. For instance, the Department would be able to provide remote site counseling services, retirement estimates to 25% of WRS “eligible to retire” population within 10 days of receiving the request, and disability estimates within 5 days of request. Additionally, WRS members would be able to schedule an appointment within 3 weeks of contacting the Department.

Requested: \$802,700 SEG in the first year and \$755,000 SEG in the second year and 14.5 FTE permanent positions (13.5, first year; 1.0 additional, second year).

Governor's Recommendation: \$137,400 SEG in the first year and \$183,300 SEG in the second year and 4.0 FTE permanent positions.

Customer Service Call Center – Continue support of the Customer Service Call Center, which provides critical “one-stop” telephone services to members. The Department has experienced, and expects to continue to experience, unprecedented demand for services and growth as the “baby boom” generation hits the WRS in full force. Retaining project personnel has been difficult; 90% of our original hires have resigned to accept other permanent positions. Each trained specialist who terminates means a productivity loss equating to about 1,500 calls a month. By converting project positions to permanent positions, the Department expects to meet a goal of answering 85-90% of calls within one minute 90% of the time. With well-trained and experienced permanent staff, the most effective use of the center's new technology will also be possible.

Requested: \$256,400 SEG in the first year and \$265,700 SEG in the second year and 5.8 FTE permanent positions. In addition, \$100,300 SEG in the first year and \$115,300 SEG in the second year for costs associated with the Department of Electronic Government's Info Tech charges.

Governor's Recommendation: \$186,200 SEG in the first year and \$229,800 SEG in the second year and 2.5 FTE permanent positions.

II. New Initiatives

Manager of Strategic Health Policy and Manager of Collaborative Purchasing – Develop collaborative health related purchasing agreements; actively participate in the development of strategic partnerships related to health insurance issues, cost containment and quality initiatives; and serve as a health insurance policy resource to the Department, legislators, other state agencies, and the public. The Department's health benefit coverage program is the largest single non-federal health plan in the state and provides coverage to over 225,000 state and local government employees, retirees, and their dependents. With health care inflation running at double-digit increases each year, significant cost savings to the state can be expected from designing coalition-type purchasing arrangements and designing fundamental changes in the health care delivery system.

Requested: \$107,300 SEG in the first year and \$119,200 SEG in the second year and 2.0 FTE permanent positions.

Governor's Recommendation: \$53,700 SEG in the first year and \$59,600 SEG in the second year and 1.0 FTE permanent position.

Employer Compliance Reviews – Conduct benefit program compliance reviews and related training for participating employers. Increasingly, a number of employer benefit reporting discrepancies have been discovered that often result in costly appeals being filed with the Department, along with considerable staff time and money being spent correcting reporting errors.

Requested: \$53,700 SEG in the first year and \$98,200 SEG in the second year and 1.0 FTE permanent position

Governor's Recommendation: Deny request.

Non-Construction Costs for State Office Building Addition – Cover one-time costs of moving, space rental, and miscellaneous furniture/equipment purchases in 2004-05 to accommodate the addition and renovation of the 801 West Badger Road state office building. Also requesting ongoing funding for space rental.

Requested: One-time funding of \$615,800 SEG in the first year and \$281,200 SEG in the second year. Ongoing funding of \$176,200 SEG in the second year.

Governor's Recommendation: Deny request.

III. Information Technology

Completion of Benefit Payments System (BPS) Project – Continue funding to complete the BPS project that is being constructed to redesign and replace the existing annuity and accumulated sick leave credits conversion systems. Resources are also needed to administer security and PIN (Personal Identification Number) access and to create the security architecture needed to allow electronic access to member account data for inquiry and update purposes.

Requested: One-time \$1,202,800 SEG in the first year and \$656,000 SEG in the second year and continuation of 2.5 FTE project positions for two years. On-going funding of \$359,900 SEG in the first year and \$917,600 SEG in the second year for 2.0 FTE permanent positions. The Department is also removing 1.0 FTE SEG position authority and funding (\$37,600 in FY04 and FY05) per 1999 Wisconsin Act 16.

Governor's Recommendation: One-time funding of \$1,202,800 SEG in the first year and \$656,000 SEG in the second year and 2.5 FTE project positions for two years. Ongoing funding of \$72,500 SEG in the first year and \$95,600 SEG in the second year. The recommendation eliminated funding for on-line access of key-data for annuitants, toll-free telephone service, maintenance software tools, and ongoing production budget (total of \$1,108,300 SEG).

IV. Other

Postage and Forms Budget – Re-estimate of postage and forms budget due to a 25% increase in volume and postage rate increases and a 13% increase in volume and new forms in part related to 1999 Wisconsin Act 11.

Requested: \$103,000 SEG in the first year and \$111,400 SEG in the second year.

Governor's Recommendation: Deny request.

Sum Sufficient Appropriation – Re-estimate of GPR funding requirements for annuity supplements and payments due to the reduction in number of eligible recipients.

Requested: \$2,965,500 GPR in the first year (-\$426,400) and \$2,504,300 GPR (-\$887,600) in the second year.

Governor's Recommendation: Same as ETF request.

V. Governor's Initiatives

Private Employer Health Care Coverage Program (PEHCCP) – Continue funding for program design and implementation. The budget adjustment bill (2001 Act 109) provided a loan of \$850,000 GPR from the Office of the Commissioner of Insurance's (OCI) general program operations appropriation to fund program design, marketing and implementation of the PEHCCP. The loan was to be repaid with interest to the general fund from contributions collected from participating employers. The Governor recommends the loan not be repaid from the general fund to OCI. Any funds remaining in the PEHCCP appropriation by June 30, 2003 will lapse to the general fund.

Attorney Consolidation – Improve the provision of state legal services by consolidating attorneys under the secretary of the Department of Administration (DOA). The DOA secretary will determine the assignment of attorneys to individual agencies. Position authority for 1.0 FTE permanent attorney position in DETF is reduced while funding is retained for DETF to purchase legal services from DOA.

Health Insurance Portability and Accountability Act (HIPAA) Position – Continue 1.0 FTE project position and \$54,600 SEG in both years for the HIPAA Privacy and Compliance Manager (as approved in the December 2002 s. 13.10 meeting) to implement security and privacy regulation mandates under federal law.

Group Insurance Board Flexibility / Health Insurance Changes:

- Place each health plan into one of three tiers based on risk-adjusted cost;
- Replace the current 90%/105% premium contribution formula with one requiring the state to pay not less than 80% of the cost of the plans in the lowest tier; and
- Provide additional flexibility to allow modification of the standard plan to make it more cost-effective and compatible with the tiering approach.

Pharmacy Benefit Purchasing Pool – Require all governmental units that provide health insurance for their employees to join a pharmacy benefits purchasing pool by January 1, 2005.

Retirement Incentives and Flexibility under the WRS:

- **Permissive Service Credit Purchases** – Consistent with federal law, allows WRS participants to purchase forfeited or other creditable service with certain tax deferred monies (i.e., Section 457 and 403 (b) funds).
- **Removal of 30-Day Break in Service Provisions / In Service Distribution** – (A) Allows WRS participants at retirement age to terminate employment with a participating WRS employer and become employed by a different WRS employer without having a 30-day break between employment. (B) Allows a participant who has attained normal retirement age (age 65 or attained the age that an unreduced benefit is payable [e.g., age 57 with 30 years of creditable service]) to receive an in-service distribution (annuity) without terminating from a WRS employer.
- **Accumulated Sick Leave Conversion Credit (ASLCC) Flexibility** – Allows state employees with at least 20 years of creditable service to escrow their accumulated sick leave credits without being eligible for an immediate annuity from the WRS. Changes the ASLCC value calculated at retirement from the current rate in effect at retirement to the highest rate of pay earned while employed.

State Payment of Unfunded Accrued Actuarial Liability (UAAL) – Allows the state to issue taxable bonds at a lower interest rate (6%) to pay off its UAAL balance of approximately \$730 million.

VI. Fiscal and Position Summary

	ETF Budget Request		Governor's Recommendation	
	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2003-04	Fiscal Year 2004-05
Positions (FTE) Requested	26.8	27.8	10.0	10.0
New Permanent	24.3	25.3	6.5	6.5
New Project	2.5	2.5	3.5	3.5
Total SEG Funding Requested	\$1,783,300	\$2,558,600	\$449,800	\$568,300
One-Time Funding	\$1,818,600	\$ 937,200	\$1,202,800	\$656,000
Total Budget (SEG)	\$3,601,900*	\$3,495,800*	\$1,652,600*	\$1,224,300*

Private Employer Health Care Coverage Program (GPR)	\$200	\$200	\$211,100	\$211,100
Benefit Supplements for Older Annuitants Only (GPR)	\$2,965,500	\$2,504,300	\$2,965,500	\$2,504,300
Total Budget (GPR)	\$2,965,700	\$2,504,500	\$3,176,600	\$2,715,400

*These figures represent items shown in the budget summary. The Department's total budget, including all positions, supplies, etc., is \$20,823,300 for fiscal year 2004 and \$20,717,200 for fiscal year 2005. The Governor's recommendation resulted in a total Department budget of \$18,956,100 for fiscal year 2004 and \$18,528,700 for fiscal year 2005 (a decrease of 9.76%).